UNITED
NATIONS

TD

United Nations
Conference
on Trade and
Development

Distr.
GENERAL

TD/B/COM.3/3
22 November 1996

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business
Facilitation and Development
Geneva, 20 January 1997
Item 4 of the provisional agenda

SERVICES INFRASTRUCTURE FOR DEVELOPMENT AND TRADE EFFICIENCY ASSESSMENT

UNITED NATIONS
COLLECTION

Report by the UNCTAD secretariat

CONTENTS

		Paragraphs
I.	INTRODUCTION	1 - 12
	1. Purpose of the meeting	1 - 4
	2. Policy and analytical background	5 - 10
	3. Format and objectives of the report	11 - 12
II.	SECTORAL AND CROSS-SECTORAL PRIORITIES	13 - 87
	1. Customs	15 - 18
	2. Transport	19 - 27
	3. Banking and insurance	28 - 31
	4. Business practices/trade facilitation	32 - 37
	5. Business information	38 - 45
	6. Telecommunications	46 - 55
	7. Cross-sectoral priorities	56 - 87
	(a) Transit transport facilitation	56 - 63
	(b) Human resources development	64 - 75
	(c) Legal issues	76 - 87
III.	PRACTICAL PROPOSALS/TRADE EFFICIENCY ASSESSMENT	88 - 90

GE.96-52180 (E)

CONTENTS (continued)

Boxes

Box 1: UN/ECE-ITC-UNCTAD Cooperation

Box 2: The Trade Point Programme

Box 3: The ASYCUDA Customs Reform Programme

Box 4: The ACIS Programme

Box 5: Trade facilitation in practice

Box 6: A new EDIFACT-compatible standard for ETOs

Box 7: The Global Trade Point Network (GTPNet)

Box 8: The TRAINMAR Programme

I. INTRODUCTION

1. Purpose of the meeting

1. At the ninth session of the United Nations Conference on Trade and Development, held in Midrand, South Africa, from 27 April to 11 May 1996, it was decided, *inter alia*, to establish the Commission on Enterprise, Business Facilitation and Development. The Commission is to deal with the issues identified in paragraphs 89 (h)-(j), 94 and 87 (i)-(iii) of "A Partnership for Growth and Development" (TD/377). 1/

2. In the follow-up to the Conference, the Trade and Development Board, at its thirteenth executive session on 8 July 1996, approved the draft provisional agenda for the first session of the Commission which includes an item entitled "Services infrastructure for development and trade efficiency assessment".

3. UNCTAD IX has provided a new impetus to UNCTAD's work in the area of trade efficiency by broadening its sectoral basis and operational scope. This has been reflected in the decision of the Secretary-General of UNCTAD to create a Division for Services Infrastructure for Development and Trade Efficiency, which, in addition to the components that were already those of the Special Programme for Trade Efficiency (Customs, trade facilitation, trade efficiency) now includes parts of the secretariat which had been dealing with issues of transport, finance, insurance as well as specific issues relating to the least developed countries. This consolidation has created a new dynamics, which can now find its natural intergovernmental counterpart in the work of the Commission on Enterprise, Business Facilitation and Development.

4. At this first session of the Commission, delegations have an opportunity to provide guidelines and priorities for the work of the secretariat in the area of services infrastructure and trade efficiency. This report leaves aside the initiatives that are being launched in the area of services for the informal sector and micro enterprises. These will be documented in a separate report which will cover a comprehensive action plan aimed at these target groups.

1/ Paragraph 92 of the Partnership for Growth and Development states that the primary role of UNCTAD in services infrastructure for development and trade efficiency is to assist developing countries, particularly the least developed countries and countries in transition, in generating trade-supporting services such as customs, transportation, banking and insurance, telecommunications or business information which are adapted to their particular requirements with a particular focus on services addressing the needs of the informal, micro, small and medium-sized enterprise sectors. It is also emphasized that UNCTAD should review and assess the progress on the trade efficiency initiative, including the experience gained so far in the working of Trade Points and their inter-operability. The Fifth Assessment of the Trade Point Programme (to be produced in the Spring of 1997) will evaluate that experience.

2. Policy and analytical background

5. The challenge of integrating developing countries and economies in transition in the emerging global economy needs to be addressed in a context which is currently characterized by three main elements, namely:

(a) The conclusion of the Uruguay Round of Multilateral Trade Negotiations, and the creation of the World Trade Organization have generated a new environment for trade and development;

(b) The combined forces of globalization and liberalization have radically altered the ways in which nations and enterprises compete internationally, both to reach markets abroad, and to attract foreign investors and trading partners;

(c) The fast pace of technological change (especially in the area of information technologies) offers unprecedented opportunities to turn sectoral productivity gains into a significant increase in the welfare, employment and standards of living of large parts of the world population, which remain at risk of being further marginalized by the process described above.

6. Trade efficiency is a practical attempt to address this challenge and obtain measurable results for growth and development; it stems from four basic considerations: (a) trade remains to date the most powerful vehicle to allow less advanced economies to grow and upgrade their economic and social structures; (b) in the years to come, the competitiveness of nations in international trade will increasingly result from that of enterprises operating from their territories, which for developing countries essentially means small- and medium-sized enterprises (SMEs); (c) for SMEs, the main obstacles to a more active participation in international trade are of a microeconomic nature, and they include typically the lack of adequate local trade-supporting services and the prohibitive cost or complexity of trade procedures.

7. By assisting smaller players in becoming more competitive in international trade, trade efficiency can therefore be considered as a major instrument to fight exclusion and marginalization from the global economy.

8. To achieve its goals in this area, UNCTAD uses to its maximum extent the leverage of the "information technology paradox": contrary to previous technological revolutions, which have largely concentrated economic power and competitiveness in a handful of capital-rich and technology-intensive national economies, the information revolution has made strategic technologies and information much more affordable, even for the smaller players.

9. To lower transaction costs in international trade, one needs to consider commercial operations in their entirety. Any international trade transaction relies on a complex chain of interdependent operators and players. This chain includes exporters, Customs administrations, purveyors and carriers of

information, bankers, insurers, transporters, and eventually importers. Like any other chain, it will never be stronger than the weakest of its links. In trade efficiency terms, this means that an international trade transaction will never be more efficient than the least efficient of its components. Hence the necessity for an integrated approach, which should combine the six sectors concerned by UNISTE and UNCTAD's ongoing work in the area of trade efficiency, namely: Customs, business practices (trade facilitation), business information, financial services (banking, insurance and investment), transport, and telecommunications.

10. The intersectoral nature of this work makes it an ideal candidate for inter-institutional cooperation (see Box 1). It should not be expected from UNCTAD that it could carry out all necessary responsibilities in this broad domain. The present document attempts to outline what UNCTAD's contribution could be, and within this contribution which priorities the secretariat should select in order to maximize the results of its action from the point of view of trade and development, keeping in mind its specific interest in obtaining such results in the poorer parts of the global economy, in particular in the Least Developed Countries.

3. Format and objectives of the report

11. The present report aims at casting the proper conceptual, policy and practical bases for the work of UNCTAD in the area of services infrastructure for development and trade efficiency. It must therefore be read against the background of the practice established by UNCTAD's Ad Hoc Working Group on Trade Efficiency since 1993, namely to allow intergovernmental meetings to take place in an action-oriented and fast-paced environment. It must therefore be considered as the top layer of a broader set of information made available to delegations. Additional layers will be provided in three fashions, namely:

(a) The main sectors of activity addressed by the Commission under the item of Services Infrastructure for Development and Trade Efficiency and their relevant technical assistance programmes will be described in greater detail in separate documents such as leaflets and fact sheets; brief descriptions of such programmes have been provided in the present document in the form of "boxes", which should contribute to its overall readability;

(b) Each programme of technical assistance and its main development goals and achievements will be presented to delegations during the course of the session, in the form of multimedia presentations, allowing lively discussions among government representatives, experts, and those responsible for the design and execution of relevant projects;

(c) This report has been simultaneously produced in HTML 2/ format, and is now accessible on the Internet. This offers interested

---

2/ HyperText Markup Language. HTML allows the easy manipulation of complex documents on the World Wide Web (WWW), which is currently the most often and easily accessed interface to the Internet.

delegations a possibility to "navigate" the document and explore additional layers of information through hyperlinks to other documents, references and relevant Internet sites.

Box 1: Inter-institutional cooperation in action: UN/ECE-ITC-UNCTAD

UNCTAD, the UN/ECE (United Nations Economic Commission for Europe) and ITC (International Trade Center) work harmoniously to assist enterprises to import and export efficiently, thus providing greater access to the full benefits of an open trade environment. In the work to achieve this important goal, each organization has its own, specific role:

UN/ECE develops trade facilitation standards and recommendations for reducing and automating procedures and paperwork; for example, UN/EDIFACT plays an important role as a common basis for exchanging international trade data. It has been agreed that structured data sent between UNCTAD Trade Points, such as electronic trading opportunities, will use UN/EDIFACT messages.

ITC develops programmes and training in trade information for developing countries. ITC participates in the trade efficiency programme with technical support to developing countries and economies in transition on establishing and strengthening sustainable trade information services and the dissemination to organizations and enterprises in these countries of business information on products, markets and services, as well as technical advice on trade support functions. ITC is also cooperating with UNCTAD in the development of database formats and standards to be used by the participants in the Global Trade Point Network. ITC has likewise worked with the UN/ECE in the development of a UN/EDIFACT message for the exchange of company information between Trade Points.

UNCTAD, through its trade efficiency programme, provides delivery mechanisms and assistance for the "products" developed by the UN/ECE and ITC as well as technical advice in trade areas not covered by the other two organizations. This includes practical recommendations and guidelines for governments, Trade Points and enterprises. Where the primary work and expertise exists in another organization, these recommendations/guidelines have been prepared either by that other organization or in close cooperation with them.

12. UNCTAD's work in the area of Services Infrastructure for Development and Trade Efficiency is neither of an academic nor of a political nature: its value rests in its ability to contribute to enhance the process of development by fostering the ability of small- and medium-sized enterprises worldwide to participate in international trade. This is why, each section of this report is an attempt to answer three fundamental questions, namely:

(a) What is the problem addressed and why is it an important one for trade and development?

(b) How is UNCTAD addressing this problem, and what should be considered as indicators of success in its work?

(c) What are the priorities for action for the current biennium, and how is UNCTAD planning its activities accordingly?

II. SECTORAL AND CROSS-SECTORAL PRIORITIES

13. In addition to considering the issues, actions and priorities relevant to each of the six sectors of trade efficiency, this section will apply the same approach to three inter-sectoral topics, which are of immediate relevance for UNCTAD's work in the area of trade efficiency, namely: transit-related issues, human resources development, and legal issues.

14. The multisectoral nature of trade efficiency, which constitutes its main source of value-added for international traders is best illustrated by the Trade Point concept (see box 2).

Box 2: The Trade Point Programme

The Trade Point Programme entered its first phase at UNCTAD VIII in 1992, with the objective of reaching the critical mass necessary to launch the initiative. In 1994, the United Nations International Symposium on Trade Efficiency (UNISTE) launched the second phase aimed at connecting Trade Points worldwide to the "Global Trade Point Network" (see box 7). Since then, Trade Points have continued to exchange experiences and cooperate in order to improve the network in a number of ways. Several regional as well as worldwide meetings, seminars, workshops and conferences have been held. In addition, some Trade Point directors have been assisting other Trade Points especially in the initial phase, and they have carried out missions to other Trade Points to advise them on several subjects. Today, there are 131 Trade Points at various stages of development in 106 countries of which 20 are LDCs.

At UNCTAD IX, the Trade Point Programme has entered the third phase of its existence: the next step of the Programme is to build upon the results achieved in these first two phases to upgrade GTPNet from the major pre-transactional trade network which it is now into a transactional tool, where actual payments can be made and contracts signed. This is a major endeavour, on which no other network of the size and scope of GTPNet has yet embarked. UNCTAD's Trade Point Programme is uniquely placed to address this challenge because of the normative bases and practical results upon which it is grounded.

One of the major and immediate challenges of the Trade Point Programme will be the building of institutional frameworks at the national as well as international

levels, to provide guidance, coordinate and oversee Trade Point operations, and ensure that the basic rules and principles of the programme are followed. Particularly, the possibility to negotiate on behalf of all members of the GTPNet whenever collective bargaining power can be acquired and used by Trade Points, is crucial. Furthermore, the potential to define legal responsibilities of the various parties involved in the functioning of the Trade Point supports the establishment of an independent global entity, such as an International Federation, representing Trade Points.

A second major issue to be addressed by the programme is related to the legal protection of the Trade Point name and logo. All Trade Points have to conform to UNCTAD's rules and have to abide by the international rules and standards. With the success of the Trade Point concept, third parties become interested in setting up offices using the same name without any consultation with UNCTAD or any member of the Trade Point network and not respecting the set of rules established for Trade Points. These third parties could use information received from other Trade Points or from clients in an illegal way or would not follow the international rules and standards governing Trade Points. Confusion may arise to the question which Trade Point falls under UNCTAD's programme and which does not which would discredit the Trade Point concept and endanger the programme. It has become of increasing importance that the name Trade Point is legally protected worldwide, together with the name and logo of the Global Trade Point Network (GTPNet) and the Electronic Trading Opportunities (ETOs).

1. Customs

Issues

15. In many developing countries Customs is the single largest contributor to the national budget. A more efficient Customs administration will be able to clear foreign trade operations efficiently in a minimum period of time which reduces cost for warehousing and thus makes the national economy more competitive. Coherent and consistent application of the Customs regulations provides opportunities to lower the import duties while maintaining the level of revenue collected. The positive effects of the application of international standards is self evident. The integration of the Customs management information system with ports, banks and other players improves performance of the trade sector and, at the same time, tightens control. Improving the transit control system is essential to land-locked countries in order to assure that goods arrive with minimum delays and at affordable cost.

Actions/Development impact

16. Work in the Customs sector is progressing along the lines set out in the UNISTE Customs Recommendations. The Customs sector covers a vast field of issues where improvements are possible including transit, automation, use of EDI, Kyoto Convention, integration with other systems (ports, banking, brokers, Ministries, Trade Points, etc.), application of the Harmonized System

of commodity classification, ISO codes, alignment of documents to the United Nations layout key, streamlining of procedures, statistics, risk analysis techniques, and finally the elaboration of a prototype worldwide system which would automatically process the export declaration from one country as the import declaration in the country of destination. Most of this work is being and will continue to be carried out in close collaboration with the World Customs Organization (WCO) and national Customs administrations.

17. Many of the issues mentioned above are and will continue to be addressed within the framework of national and regional ASYCUDA 3/ projects which have a duration of two to four years. Work on transit is complementary to the ASYCUDA projects and could eventually be fully integrated. The elaboration of a first pilot system for transit control would require 18 months given the availability of project funds. The integration of the Customs management information system with ports, banks and other players presents new challenges in every country, but a model could be elaborated to standardize the type of information required and to produce a basic technical mechanism for the exchange of such information. This would take two to four years including pilot testing in some countries. The elaboration of a prototype for a worldwide Customs clearance system has many implications and would require the collaboration of the WCO and some national Customs administrations willing to experiment with such an approach. The minimum time necessary to produce tangible results would be four to six years.

Priorities

18. The proposed priorities are the following:

(a) Continue to implement ASYCUDA projects with the aim of achieving additional benefits through the increase of user countries to more than 100 by the turn of the century;

(b) Produce a transit control system using elements of ASYCUDA and ACIS; 4/

(c) Pursue the work on the integration of the Customs management information system with other partners involved in international trade transactions; and

(d) Elaborate requirements for a prototype of the worldwide Customs clearance system.

3/ Automated System for Customs Data, see Box 3 below.

4/ Advance Cargo Information System, see Box 4 below.

Box 3: The ASYCUDA Customs Reform Programme

The ASYCUDA programme (Automated System for Customs Data) continues to be the largest technical cooperation programme within UNCTAD and the largest operational project bearing on institutional reform within the Customs Revenue Administrations. It is now operational or being set up in 70 countries and regions worldwide.

ASYCUDA is aimed at reforming the customs clearance process. The project aims to speed clearance through the introduction of streamlined procedures and computerization. It aims to increase revenue, which is the main contributor to overall Government revenues in most countries, by ensuring that all goods are declared, that duty/tax calculations are correct and uniform throughout the country and that exemptions are properly managed.

ASYCUDA aims to produce accurate and timely trade and fiscal data to aid the economic planning process automatically, as a by-product of the Customs computerization system.

UNCTAD's goal is to implement the system as efficiently as possible with a full transfer of know-how to the national administration at the lowest possible cost for countries and donors. Through ASYCUDA, UNCTAD also disseminates international standards and is trying to increase mutual benefits through a steadily growing number of ASYCUDA user countries.

The majority of projects concentrate on implementing the basic modules of declaration processing, accounts and statistics linked with the introduction of a single goods declaration and standardized data elements. A simplified declaration processing path is also introduced as part of the implementation process to speed up and simplify clearance of freight.

In the future, the work will extend to further developing the effectiveness of Customs Administrations through the use of the information from the ASYCUDA database, connections made between systems for enforcement purposes, more trade facilitation work, etc. A priority is also to establish a firm link between the Customs Administrations and the institutions responsible for the production of the foreign trade statistics for the provision of the basic trade data.

Training and technical assistance form the backbone of the projects to ensure the success of the projects, value for money for donors and the transfer of technology and skills to enable Users to continue to support and maintain the systems permanently without external intervention. Currently there are approximately 40 experts engaged in direct technical assistance in-country. The

programme has two permanent core trainers and uses a number of part-time trainers drawn from existing ASYCUDA User countries to supplement the training resources and to impart their special experience and knowledge as necessary.

As part of the drive towards maintaining the systems and ensuring the use of common standards, a number of regional support centres have been established with donor support with the Regional Secretariats of OECS, CARICOM, COMESA and ECOWAS. Regional support is also available in the Asia and Pacific region through the establishment of a small team in Kuala Lumpur. These regional centres provide support to existing national projects, respond to requests for new projects and assist to identify the funding thereof. They coordinate training and ensure regional standardization of the ASYCUDA computerized systems.

Close and very constructive cooperation exists with the World Customs Organization, the World Bank, the International Monetary Fund, the European Union, EUROSTAT, a number of regional development banks (Asian, Caribbean, InterAmerican), the International Trade Center, the United Nations Economic Commission for Europe and other regional organizations.

2. Transport

Issues

19. Transport plays a crucial role in determining the competitiveness of exports of developing countries and countries in transition. Problems of access to quality transport services manifest themselves in the form of reduced profit margins, reduced competitiveness and constraints on business expansion. At the macroeconomic level they result in failure to develop a country's international trade potential, disadvantageous terms of trade, restricted investment and employment and slower growth.

20. Modern transport technology coupled with information networks has been one of the factors which have permitted the development of globalization of manufacturing through efficient transport networks linking suppliers, manufacturers and consumers. However transport suppliers in most developing countries and countries in transition have been unable to improve their efficiency and bear the consequent adverse impact on trading opportunities open to them.

21. Transport and logistics are the most important cost elements in foreign trade, particularly of developing countries and of LDCs. 5/ In the case of Mali, for instance, transport costs account for some 30 per cent of cif import

---

5/ Particular transport problems exist for land-locked countries and for small island developing States (SIDS). Given the importance of this issue, it will be addressed in a cross-sectoral fashion. See sub-section 7 (a) below.

value (Côte d'Ivoire 20 per cent). For exports this share will most likely be even higher. Thus the decisive impact of transport efficiency on countries' competitiveness and their ability to attract foreign direct investment is obvious: since the annual cost of international maritime transport was estimated at US$ 250 billion in 1994 (half of which being incurred in ports), a 5 per cent reduction in port and transport costs could save traders some US$ 12.5 billion per annum.

Actions/Development impact

22. There are two fundamental, yet closely interrelated approaches (underlining the 'systems' approach to transport) to ensure improved efficiency of transport and transport markets.

(a) The first one (user-centred) relates to the ability of traders to make intelligent and consistent use of opportunities offered in transport markets. In order to do so, users must have access to information, i.e. markets must be as transparent as possible, and they must have a sufficient understanding of transport markets and practices that enables them to deal with transport operators on an equal (or near equal) footing;

(b) The second approach (supplier-centred) aims at improving operational efficiency, and is directed towards transport suppliers. "Operational efficiency" requires know-how, operational and management tools, optimization of organizational structures and an adequate institutional and administrative environment that promotes competition. To achieve a maximum development impact, these two approaches need to be combined.

23. In order to improve the situation of traders, it is necessary to undertake activities and provide assistance along the following lines:

(a) Support in establishing or upgrading local institutions (i.e. trade points, shippers' councils, chambers of commerce, etc.) designed to provide direct assistance to traders in dealing with transport problems;

(b) Providing transport information and/or facilitating access to information for local institutions, through such instruments as the annual Review of Maritime Transport, port newsletters and dissemination of market information via the Internet;

(c) Improving transparency of the transport chain for individual users with respect to their cargo through selective confidential access to ACIS data.

24. Regarding the supplier side, the concept of "transport efficiency" needs to be applied. In fact, the whole transport system must be improved,

particularly the land transport system which is often the most costly link in the transport chain. Otherwise constraints and inefficiencies might only shift from one element to another in the system. Efficiency is reflected, i.e. measured in terms of performance. Transport activities of the secretariat which are geared to overcome bottlenecks or system constraints will primarily include the following:

(a) Assistance in efforts to promote private sector participation in the transport sector and assistance to operators, particularly in the field of operational and management know-how;

(b) Development and application of management tools to enhance transport system efficiency particularly through extension of scope and regional coverage of ACIS and application of ACIS tools to specific transit environment;

(c) Development of systematic performance indicators;

(d) Evaluation and comparison of transport cost to determine system competitiveness and subsequent impact on traders competitiveness in foreign markets;

(e) Development of synergies between trade points and port and transport operators.

25. While improvements in the functioning of transport systems are primarily seen as instrumental in promoting foreign trade, efficiency gains also have a more direct impact on the operating results of transport operators. Improved profitability at the micro level will be reflected in higher national income, improved foreign exchange earnings and more employment opportunities at the national level.

Box 4: ADVANCE CARGO INFORMATION SYSTEM (ACIS)

ACIS is a logistics information system designed to improve transport efficiency by tracking equipment and cargo on the modes (rail, road, lake/river) and at the interfaces (ports, ICDs) and providing information in advance of cargo arrival. ACIS provides both public and private transport operators and ancillaries with reliable, useful and real-time data on transport operations such as the whereabouts of goods and transport equipment and thus improves day-to-day management and decision-making. ACIS also produces regular performance indicators which enable management to remedy deficiencies and to make full use of the existing infrastructure and equipment capacity.

At the national and subregional levels, ACIS provides data for macroeconomic planning to foster the optimal modal distribution patterns. ACIS plays an important role in the development of trade relations and reinforcing subregional

integration because it enables transport operators to communicate, through modes and interfaces and over borders, the vital information which is required by them to improve their efficiency, thus reducing the costs and time of carriage along transport corridors.

The project started in 1988 and is operational or being installed in 13 countries: Bangladesh, Cameroon, Ghana, Kenya, Malawi, Mali, Senegal, Sudan, Tanzania, Uganda, Uzbekistan, Zaire and Zambia. To date US$ 10 million have been provided from external resources for this project and projected expenditures for 1997 are US$ 3.5 million. The funds have been used to install and maintain the modules and to implement the system. Implementation is carried out through the provision of experts, procurement of data processing and telecommunications equipment and training of national staff in order to leave a sustainable system managed by the operators themselves. The Railway tracking module, RailTracker, is already producing concrete results: shippers and private or public freight forwarders now have direct access into several railway data bases and in some cases this access is "live" on Internet to obtain spot information on movements/status of consignments/containers with less than 2-hour delay. For the 13 railways currently using RailTracker, benefits comprise:

(a) Better use of transport equipment (locating equipment, quicker turnaround times enabling wagon fleets to generate higher revenue if traffic increases, simplified maintenance monitoring);

(b) Reduction in transit times of goods (facilitation of traffic flows at border crossings and interchange of rolling stock between networks), simplified wagon hire compensation formalities;

(c) Improved quality of transport services offered to the customer (shipper, forwarder) data on cargo whereabouts thereby facilitating offtake and delivery, reduction of insurance costs.

Development and maintenance work is continuing on the following ACIS modules:

(a) PortTracker (ShipCall functions, CargoHandling, CargoTransfer and ContainerTerminal), RailTracker (RailTraffic and Statistics, Consignment Management with Customer Interface, Maintenance, Empty Wagon Distribution), Lake/RiverTracker (similar to railway module) and ultimately RoadTracker;

(b) The Backbone Information System is being installed along the corridors having Mombasa and Dar-es-Salaam as maritime gateways and in the future will interface with ASYCUDA ;

Programme promotion, upgrading, quality control and system maintenance will continue and funding will be sought according to new requests. Typically for a medium-sized railway, implementation takes 18 months and costs US$ 1 million. Contributions so far have been received from multilateral sources (European Union and World Bank) and from bilateral sources (KfW/Germany and French Cooperation).

Priorities

26. These activities require cooperation with the private sector and intergovernmental organizations, in particular the regional commissions, the World Bank and the regional development banks particularly concerning issues of integrated transport planning, such as the development of national transport master plans or the conduct of corridor studies.

27. Consequently, priority will be given to: (a) operational activities relating to software development and the regional expansion of the ACIS programme; (b) the institutional integration of transport-related activities in Trade Points and/or other administrative arrangements; (c) backstopping the implementation of regional and national technical assistance projects aimed at improving transport sector performance; (d) the improvement of information flows and of transparency of transport markets and operations including the Review of Maritime Transport and Ports Newsletters; (e) the development and application of performance indicators;

3. Banking and insurance

Issues

28. Inadequate access to competitive trade finance and insurance products is a key obstacle to increasing international trade in a number of developing and transition economies. This problem is particularly acute for the small- and medium-sized enterprises in developing and transitional economies.

29. A number of factors contribute to the insufficient availability of financial services to traders within developing and transitional economies. Some of these affect directly the supply of such services, such as the general unavailability of financial capital or insurance capacity or regulatory constraints or State monopolies of certain financial products. Others result in ineffective or high cost delivery of financial services, such as inadequacies in telecommunication systems, lack of information on local firms in developing and transition countries. The lack of access to necessary financial market expertise and information system technology has also been a major obstacle to the use by traders in developing and transition countries of modern trade finance and insurance products.

Actions/development impact

30. The private sector is now playing an increasingly visible role in trade finance in developing countries. This trend is evident in a number of product areas, particularly export credit insurance, export finance guarantees, export factoring and leasing (domestic and cross-border). These specific financing and risk management instruments are particularly useful to SMEs and provide advantages to the traditional trade financing products offered by commercial banks. Therefore, in its work on Trade Efficiency, UNCTAD should address

these specialized financing and risk management instruments as well as initiatives to improve traditional trade financing methods. Relevant areas include:

(a) Export credit insurance: UNCTAD should support the spread of export credit insurance facilities in the developing world. Most of these new insurers utilize private reinsurance to leverage their capital resources. Government-operated schemes co-exist with private market credit insurers;

(b) Export Loan Guarantees: guarantee schemes to support domestic and export financing for SMEs are generally operated by government agencies or non-profit organizations. These can be an important source of pre-shipment financing for SMEs entering the international marketplace as well as working capital for domestic operations;

(c) Export factoring and leasing: UNCTAD's role would be similar to that recommended for credit insurance -- providing support at the government policy level as well as promoting individual leasing initiatives in developing countries;

(d) Bank trade finance and risk management products: letters of credit and acceptance financing are still the most commonly utilized trade finance instruments, particularly for exporters in developing countries. However, importers in the industrialized economies are increasingly reluctant to offer letters of credit due to the expense and paperwork involved. Therefore, exporters from developing countries which do not have access to alternative financing and risk management tools (e.g. factoring) are frequently at a disadvantage when competing for business in the industrialized markets;

(e) Also, the growing use of electronic commerce mechanisms in international trade will increase the demand for financing and risk management products which allow for either immediate settlement or open account terms of payment.

Priorities

31. UNCTAD should assist Trade Points in developing their capability to offer their SME clients advice and referrals regarding trade finance and risk management alternatives. It is suggested that UNCTAD should initially focus its work in this area on the following priorities:

(a) Initiate the provision of advisory services to promote financial services infrastructure for trade efficiency in developing countries, with special emphasis on LDCs. This will require also an identification of the infrastructure (i.e. regulatory framework, for instance) required for modern financial products to be actually available in the local markets;

(b) Use of the Trade Point network to deliver the elements mentioned above. Trade Points can contribute as a channel for information, as a channel of distribution for finance and insurance products and lastly as sources of advice to their clients;

(c) Develop a WWW-based solution for financial services training and referral services. Particular attention will be given to strengthen the provision on information in several areas: (1) modern trade finance and insurance products and services, (2) providers of such products and services and (3) credit related information on local buyers. Alternative ways of disseminating such information should be offered in those countries that still have limited access to the Internet.

4. Business practices/trade facilitation

Issues

32. Outdated procedures, as well as multiple, non-standardized documents result in additional transaction costs and unnecessary delays to the movement of goods. The lack of coordination among the many parties to a trade transaction and the lack of appropriate forums for transparent discussions between public and private sectors to simplify procedures, documentation and (excessive) regulations inhibit exports and increase the costs of imports. Lack of information regarding developments in these fields acts as barriers to modernization of trade and thus hinders the competitive position of countries. Lack of modern decision-making tools have the same effects. The limited organizational capacity of many local transport providers - particularly undersized freight forwarders, who with proper assistance might develop into efficient multimodal transport operators - is leaving many countries too dependent on foreign transport providers. Finally, lack of training tools to assist countries overcome these various impediments makes constructive changes and progress difficult.

Actions/Development impact

33. Successful development experiences among countries at different levels of technological development will be examined, drawing out lessons that may be of value to other countries and identifying suitable options and possible value-added logistics services/distribution channels to be offered, particularly to small and medium-sized enterprises. On-going processes of establishing national and subregional trade and transport facilitation mechanisms will be reviewed to improve value-added door-to-door logistics chains/distribution channels, and to reduce regulations and administrative procedures, including barriers to export expansion and diversification, that may impede trading successes.

34. Information concerning the latest developments in trade and transport services will be made available through newsletters and on the World Wide Web. Trade facilitation advisory services to developing countries and countries in transition will provide assistance on the formulation of national policies

aimed at the implementation of the recommendations concerning business practices that were adopted by the UNISTE. Cooperation with the private sector, NGOs and the academic world will be sought.

35. Assistance in the facilitation of trade and transport will be provided to government authorities and private sector through the organization, backstopping and coordination of field projects and of training programmes, seminars and workshops. It will aim at: (1) the formulation of frameworks in accordance with modern international commercial practices; (2) the standardization, harmonization and streamlining of codes, procedures and forms; and (3) the commercial and practical application of technological developments and modern decision-making tools for logistics users and providers.

36. The expected results of these activities is the enhancement of competitiveness of countries, particularly the least developed ones, and economies in transition where interventions are implemented. The creation of national and subregional coordinating entities will help the formulation of appropriate harmonized measures towards the integration of developing countries and subregions in the global economy. The provision of decision-making tools and regular information in the field of modern business practices, including value-added door-to-door logistics chains and distribution channels, will enhance the competitiveness of indigenous companies. Participation in training and information-sharing activities will offer government departments and the private sector the possibility of exchanging views on the latest international commercial practices and technological developments.

Priorities

37. UNCTAD's work in the area of business practices and trade facilitation will be actively pursued in close cooperation with UN/ECE and ITC. In this context, UNCTAD's priorities will be:

(a) Identification of strategies for trade and transport facilitation, particularly in landlocked and island developing countries; and of value-added logistics services to be offered by developing countries and economies in transition;

(b) Assistance with the facilitation of trade and transport;

(c) Distribution of current information through newsletters and the Internet;

(d) Provision, on request, of advisory services; and

(e) Preparation and delivery, on request, of lectures and seminars. 6/

Box 5: Trade facilitation in practice

Trade facilitation is the systematic rationalization of procedures, information flows, and documentation. International trade requires simple trade formalities, procedures and operations, cooperative Customs administration's attitude, and efficient door-to-door logistics chains.

Small and medium-sized enterprises, able to produce competitive manufactured quality goods, must not be discouraged by the complexity of operations and formalities involved in international trade. Trade facilitation contributes to enhancing the competitive position of small exporters in foreign markets.

UNCTAD technical assistance projects in trade facilitation aim at promoting a sustainable growth of a country's foreign trade by correcting inefficiencies inbred in the trade and transport system. They are also complementary to the implementation of large World Bank financed transport infrastructure projects, as well as of the ASYCUDA and ACIS systems. These projects include the compilation, review and implementation of measures to facilitate trade flows, to promote national transport activities, to increase awareness on efficient commercial practices in international trade, as well as to provide Customs administrations with proper working tools designed to increase efficiency and transparency in Customs clearance time and revenue collection and to generate timely and reliable trade data. These projects develop the necessary synergies for the coordination and implementation of ASYCUDA and ACIS. Their major expected results are: the establishment of legal and institutional frameworks, of commercially viable reforms and instruments to foster efficient trade and transport operations (with direct and active participation of concerned public and private agencies and operative Trade Points, and through National Trade and Transport Facilitation Committees representing all functional interests); and the establishment of adequate training programmes.

UNCTAD has carried out a number of trade facilitation projects (e.g. Colombia, Ethiopia, Mozambique, Pakistan, Indonesia, Andean Pact, etc.), in close collaboration with regional commissions (in particular ESCAP), with financial support from the UNDP, the World Bank and the countries themselves. UNCTAD has also established a partnership with the private sector by supporting the activities of a non-governmental, private-sector driven forum for the promotion of multimodal transport.

6/ See the subsection on Human Resources Development below.

UNCTAD cooperates with the UN/ECE, whose trade facilitation standards and recommendations complement UNCTAD trade facilitation activities. Both the ASYCUDA and ACIS systems (which build on international codes and standards) and the UN/ECE outputs (e.g. the United Nations lay-out key or the programme of work on Combined Transport) are examples of such cooperation.

5. Business information

Issues

38. Problems of availability, selection, access and international standardization hamper enterprises in making the best use of information for trade. This can be particularly damaging for newcomers to international business, small- and medium-sized enterprises and companies in developing countries and economies in transition. Not having access to the relevant business information can be as serious an obstacle as tariff and non-tariff barriers.

39. The market for business information is complex and tends to suffer from lack of transparency. This is due to a number of reasons: rapid technological change, a highly differentiated array of products and services, and the large variety of forms under which information is made available, ranging from oral advice to publications and on-line databases. For smaller players such as SMEs and enterprises in developing countries in general, this often creates confusion and an impression that gathering and using information is an activity reserved to advanced, sophisticated (and generally larger) players. Such a situation contributes to broaden the gap between the haves and the have-nots of business information. This gap is compounded by problems of physical access and cost. For most producers and collectors of business information, developing countries and SMEs in general are at best a marginal market. The endemic lack of access to information is aggravated by a quasi-total absence of locally-collected and produced information. Because the capabilities and products of local enterprises (especially SMEs) is not known abroad, significant trading and investment opportunities are lost.

Activities/Development impact

40. Solutions for the wide-varying needs of the economic agents involved - governments, intergovernmental organizations, business associations, e.g. - need to be identified and implemented.

41. The possibilities created by rapid technological change need to be assessed and used to the highest realistic extent: when local infrastructure, technologies and know-how do not allow the use of a anced electronic information, other means must be found to enhance the capacity of local

enterprises to access information, and to contribute to the production and dissemination of the business information which will be used by traders and investors worldwide.

42. The actions described above will contribute to foster the active participation in international trade of SMEs worldwide. The impact is likely to be particularly significant for smaller players (including LDCs) who have traditionally been left out of the collection and dissemination of business information. By making information more accessible economically and more relevant to the specific needs of smaller traders in developing countries, they will induce an active transfer of information technology towards local enterprises.

Priorities/Expected results

43. Maximum use will be made of existing infrastructure and networks to disseminate information to end users in developing countries and economies in transition. In close cooperation with the International Trade Center, this will be done in particular through the Global Trade Point Network (GTPNet).

44. The maximum usability of Electronic Trading Opportunities (ETOs), especially for small- and medium-sized enterprises, will be ensured. ETOs will be disseminated in such a way that SMEs and Trade Points in less advanced regions can make the best possible use of them.

45. These efforts are expected to yield the following practical results: (a) development of Internet/Web tools accessible to more SMEs in more countries, to collect, format and retrieve relevant business information, thus reducing the price of business information for SMEs in developing countries; (b) generalization of the EDIFACT-compatible format for ETOs; (c) broadening of the range of data and trade-related information available to Trade Point and their end users.

Box 6: A new UN/EDIFACT-compatible standard for the dissemination of ETOs

In the initial phase of the programme, the exchange of information between Trade Points was limited to conventional mail or fax. Then, an increasing number of Trade Points started to use electronic mail systems for exchanging information. This improvement in communications has significantly helped Trade Points to assist their customers: information on business contacts, export-import regulations or product markets can now rapidly be obtained from Trade Points located in other countries and passed on to the small and medium-sized companies locally. Furthermore, those Trade Points having access to the Internet World Wide Web services, can fully participate in the GTPNet on-line information services.

After the launching of the GTPNet at UNISTE (October 1994), it became clear that the size of GTPNet required that interchange standards be set for a variety of media (including fax, e-mail and EDI). This would allow (a) the exchange of database information in a structured way, (b) independent use of hardware, software and communications media, and (c) easy downloading into the recipients own database and the automation of much of this process.

Therefore, UNCTAD, in setting the criteria for the establishment and operation of Trade Points, has specified that "solutions and systems developed by/for Trade Points will be interconnectable and interoperable". This implies respect for internationally agreed standards, in particular those promoted by the United Nations (UN/EDIFACT e.g.) and the use of standard international product classification systems and of open telecommunications systems operating under agreed international technical standards.

In order to facilitate the introduction of standards in the GTPNet, UNCTAD called an Expert Group meeting in Geneva in June 1995. The 13 participants represented Trade Points, experts on EDI, UNCTAD, ITC, and UN/ECE. The main task of the group was to examine the pre-transactional information exchange within the GTPNet and the link between the pre-transactional and the transactional phases of GTPNet. Emphasis was placed on the use of international standards for information exchanged in the network as a key condition for the interoperability of GTPNet. To date, one of the major achievements of the group includes the development of a UN/EDIFACT-compatible standard for business opportunities or ETOs, based on a subset of the UN-EDIFACT PRICAT (price catalogue) message.

The expert group has discussed the development of further UN/EDIFACT-compatible messages for other types of information exchanged, particularly company information. To this end, the ITC COMREG standard for company information has been adapted to become a UN/EDIFACT-compatible standard.

6. Telecommunications

Issues

46. For developing countries, the information and telecommunication revolution has been seen both as a one-in-a-century opportunity (whereby a rapid decrease in cost/performance ratios allowed latecomers to join in and leapfrog to higher levels of productivity), and as yet another "revolution for the rich".

47. In the 1980s, large multinationals have been quick to use the new telecommunication technologies to strengthen their capacity to compete on costs, innovation and product differentiation. The technologies they used are now available at a much lower cost to SMEs, including in developing countries.

This new situation offers a distinct potential for development through an enhanced integration of these smaller players in the emerging Global Information Society (GIS).

48. As services become an increasing part of world production and trade, telecommunications often offer new routes to export and import such services either directly (e.g. education services through distance learning), or indirectly (e.g. tourism services through promotion of sites or hotels on the Internet). This represents an impressive potential for trade diversification in many developing countries and economies in transition.

49. Moreover, efficient trade transaction now require to be accompanied by international trade flows, which are much less expensive and much more reliable when achieved through electronic telecommunications-based means. In such a context, the unability of a country or an enterprise to access efficient international telecommunications often becomes a sure recipe for further marginalization.

Actions/Development impact

50. Efforts need to be pursued to enhance the awareness and availability of low-cost development-supportive telecommunications solutions to allow small and medium-sized enterprises in the less-advanced regions to be competitive in international trade.

51. Private investors will not be interested in financing the creation or upgrading of telecom infrastructure unless a critical mass of users can be expected to generate traffic on such infrastructure. If this critical mass can be generated from a large population of local enterprises (especially SMEs), new telecom infrastructure will contribute to the enhancement of local employment, transfer of technologies and economic performance. International trade is one area in which such involvement can be obtained rapidly, which justifies action by UNCTAD.

52. UNCTAD can also significantly contribute to enhance the awareness of developing countries and economies in transition of the potential effects on trade and development of the most recent trends affecting the so-called Global Information Infrastructure (GII). Action by UNCTAD in this field should remain pragmatic, and trade-focused. 7/ It should be designed and implemented as a complement to that undertaken by other, telecom-specific organizations such as the International Telecommunications Union (ITU), and other relevant international bodies such as the Internet Society (ISOC).

7/ The announcement made by President Jacques Santer at the opening of the G7-Ministerial Conference on "Information Society and Development" (ISAD) held in Midrand (South Africa) only two days after the end of UNCTAD IX, on the decision of the European Commission to grant 11 million ECU for the establishment of Trade Points in Western and Central Africa confirms the interest of the international community for this kind of pragmatic approach.

53. The development impact of such actions could be summarized as follows:

(a) Less-advanced regions would receive tangible benefits from a more intensive use of information technologies, through higher levels of trade competitiveness for their small and medium-sized enterprises, and trade diversification;

(b) A viable level of domestic demand would be generated for information services, thus making less advanced regions more attractive for foreign investors interested in financing local information infrastructures.

Priorities/Expected results

54. In this context UNCTAD's priorities will be the following:

(a) Stimulate the awareness and know-how of Trade Points and of their users about the trade-related aspects of the emerging GII. Cooperation will be sought with the ITU to allow an active participation of the trading community of developing countries and economies in transition in regional Telecom events, in particular through and around the Trade Point community. Immediate efforts will be made to allow the active participation of Trade Point representatives in ITU's Telecom Interactive meeting and workshops (Geneva, September 1997);

(b) Pursue active cooperation and set up joint activities with relevant partners in the public and private sectors to promote the integration of smaller players in the emerging Global Information Society (GIS) from the point of view of trade efficiency. Such activities should focus on the provision or adaptation of telecom products and services to cater for the specific needs of developing countries, especially the LDCs;

(c) Promote the use of innovative, low-cost and development-supportive tools for electronic commerce through the Global Trade Point Network. This will be pursued in particular through the development of software- and hardware-based solutions to guarantee the secure exchange of ETOs on the Internet. Such solutions should be tested in a significant number of developing countries, including LDCs.

55. The main results expected from working on these priorities would be:

(a) Joint activities will have been developed and carried out with the ITU and other relevant partners to involve a significant number of Trade Points in telecom-related events, workshops and exchanges of experiences.

(b) Test projects will have been developed to provide Internet-based tools and related trade-supporting services to a significant number of Trade Points in developing countries (including LDCs) and economies in transition.

(c) Through the use of new GTPNet software- and hardware-based tools, a significant number of SMEs in developing countries and economies in transition will have become able to participate actively in electronic commerce and access new markets abroad.

Box 7: The Global Trade Point Network (GTPNet)

GTPNet was officially launched by Secretary-General Boutros-Ghali at UNISTE (Columbus, Ohio) in October 1994. Since then, major achievements have been made in the technological advancement of the network and many Trade Points.

One of the instrumental factors in the successful initial development of GTPNet has been the Trade Point Development Centre (TPDC) created in 1992 by UNCTAD in Bangkok (Thailand) in cooperation with the Asia Institute of Technology, and hosted since July 1995 by the Royal Melbourne Institute of Technology (Australia). Established in the context of the decentralization strategy adopted by UNCTAD's Special Programme on Trade Efficiency, the UNCTAD-TPDC has been responsible for the development of innovative tools and interfaces used by GTPNet, including the Electronic Trading Opportunities (ETOs) System, the GTPNet World Wide Web site on the Internet, and its corresponding "Trade Point Internet Incubator" (see below).

Currently, the GTPNet is featuring two UNCTAD-maintained World Wide Web servers in Geneva and Melbourne. Having two GTPNet servers significantly increased the ease of access to the network. The ease and speed of access continues to improve rapidly and steadily, as mirror sites of the main GTPNet servers are being set up around the world. Currently the following mirror sites have been installed, largely at universities: Tokyo, Ljubljana, Los Angeles, Sidney, Singapore, Prague, Moscow, Namur, Port-of-Spain, Las Palmas, Warsaw, Jakarta, Johannesburg, Tampere, Hong Kong, Rio de Janeiro, and Zimbabwe. In addition, several Trade Points are operating their own servers, such as Columbus, Tampere, Jakarta, Harare, Namur, or Los Angeles.

Besides these servers, many Trade Points (approximately 30) are connected to full Internet services (WWW, newsgroups, gopher, etc.) using their local Internet providers. Most of those Trade Points who cannot yet benefit from full Internet services, are exchanging information using e-mail facilities (about another 30).

Access to the Internet, however, is still far from being truly global. In countries where such access is still difficult, local enterprises can access/produce Web-based information by using the UNCTAD Internet Incubator

facilities. The Internet Incubator service allows Trade Points (especially in developing countries) without access to the Internet, to use the UNCTAD-TPDC servers as data repositories and helps Trade Points in both developed and developing countries to use the latest graphical design techniques to build their home pages and product catalogues.

Web traffic over GTPNet has grown exponentially since the Web site was launched in January 1995. The two main servers registered a total of 2.6 million hits for the month of January 1996 and 3.2 million hits in February 1996. This makes the UNCTAD-TPDC WWW Site one of the most active trade sites on the Internet.

7. Cross-sectoral priorities

(a) Transit transport facilitation

Issues

56. Regional and international trade of land-locked countries is hampered by high transit costs. Their reduction requires not only action between two trading nations but also depend heavily on improvements in transit facilities and procedures in transit countries. A strategy for reducing transit costs and expanding regional and international trade thus calls for the joint implementation of concrete programmes of action in specific priority areas. Mutual interest in improving inter-State and transit systems will provide the rationale for new investments needed to overcome physical infrastructure bottlenecks and legal and administrative obstacles.

Actions/Development impact

57. A comprehensive survey of physical infrastructure needs for both regional and international trade and the steps required to overcome bottlenecks will be conducted. Special attention will be paid to measures designed to improve the whole range of institutional, procedural, regulatory managerial and other non-physical aspects of vital importance to the actual movement of goods. Based on this survey, the elements of a transit-transport framework agreement and its implementation in specific corridor situations will be determined. Activities listed below are considered indispensable elements of comprehensive transit framework agreements. They include proposals for:

(a) Transit-transport policy orientation emphasizing the establishment of a market-oriented commercial environment, competition between modes and transit corridors to ensure cost effectiveness of transit-transport operations;

(b) Conditions for development and use of transit-transport infrastructure facilities, including diversification of transit routes, and promotion of maintenance programmes to ensure better utilization of existing transit-transport infrastructure;

(c) Licensing of operators, establishment of tariffs;

(d) Harmonization of legal conditions governing transit-transport operations;

(e) Establishment of transit-transport performance monitoring on different corridors using indicators developed under the ACIS programme;

(f) Development of customs transit systems.

58. Designation of transit corridors is fundamental for the establishment of transit infrastructure facilities and of transport routes of a harmonized technical standard acceptable for transit operations. Establishment of minimum standards for transit routes makes it possible for Governments to agree on common traffic regulations with regards to vehicle specifications (width, length, weight, height), the establishing of axle-loads limits, maximum weights and pollution standards.

59. The application of appropriate tools for the implementation of technical aspects of transit agreements will help to ensure optimum use of facilities and administrative arrangements. This will be indispensable to realize the cost saving and trade promoting potential of transit agreements.

Priorities

60. Experience gained by UNCTAD's technical assistance delivery suggests that regional transport cooperation for transit could best be promoted within the framework of comprehensive transit-transport framework agreements. Such broad-based agreements embracing a wide range of issues have a greater potential to ensure a balance of interests between suppliers and users of transit-transport services.

61. Institutional agreements at both the Government and industry level are needed to monitor and review progress in the implementation of agreed measures. Decisions within Governments should benefit from inter-ministerial consultations given the diversity of transit transport issues and problems. Moreover, intergovernmental institutional arrangements should be vested with both technical capacity and political responsibility in order not only to be able to review progress in the implementation of agreed measures but also able to make adjustments and changes which are consistent with the changing needs of transit trade.

62. Priority action to be taken with regard to the improvement of transit-transport operations will be based on an in-depth analysis of a

selected corridor and will include proposals for institutional infrastructure to ensure the proper functioning of transit mechanisms, the measurement of performance of transit corridors, the application of ACIS and ASYCUDA tools on selected transit routes and the use of information technology to improve corridor performance.

63. Given the complexity of transit-transport operations and the variety of regimes presently in use, it is proposed to convene an expert group on transit to deal with the various technical aspects of the formulation and implementation of transit agreements. The proposal to convene an expert group was already endorsed by the Trade and Development Board at its Executive Session in July 1996. In particular the group shall provide guidance and direction on best practices in implementing technical aspects of transit agreements, using tools available in UNCTAD which are aimed at improving trade and transport efficiency, in a specific transit environment.

(b) Human resources development

Issues

64. Human resources are an ever more central component of competitiveness. As production processes, customers' tastes and organizational models tend to change rapidly, the quality of human resources becomes the only stable component on which an enterprise or a national economy can base its comparative advantage. For a large number of developing countries (especially the Least Developed Countries), capacity-building in this area has traditionally been hampered by the well-known paradox: when locals are trained in an area for which specialists are in high demand internationally, brain-drain takes place and local human resources can become lower after the training than they were before.

65. In an area like that of SIDTE, this phenomenon is all the more likely to appear that one has to deal with innovative approaches to trade and development, and to issues which are not covered by textbooks. It is therefore essential that a strong HRD component should be developed in the Division, and that it should focus on the training of trainers. At the same time, it should allow the continuous delivery of the most up-to-date tools for trade competitiveness, which only the Division's substantive staff can provide.

66. On the other hand, new technologies offer powerful innovative ways to train individuals through a combination of traditional training techniques and distance-learning, which has now become truly interactive, thanks to networking possibilities such as those offered by the Internet.

67. Productive enterprises and the services that support their trading activities all depend on people. Officials, managers and employees all need appropriate understanding, knowledge, skills and motivation. The presence of these qualities depends on many factors that cannot be expected to occur spontaneously: it calls for planned human resource development (HRD). A

cornerstone of HRD is training, but HRD should also comprise measures to bring people with the right qualities into each sector, career development so that the best experience is acquired and retained, and attention to the working environment so that the qualities accumulated can be put to the best use.

Action/Development impact

68. Human Resources Development (HRD) is a vital component of UNCTAD's work in the area of Services Infrastructure for Development and Trade Efficiency for three major reasons:

(a) the intersectoral nature of the area makes it an obvious candidate for economies of scale and scope in the context of HRD;

(b) the well-established experience of the Division in using audiovisual and technology advanced tools offers it a possibility to take immediate advantage of the most recent possibilities offered to trainers and course builders;

(c) the experience gathered by the Division through its long-standing technical assistance programmes (such as ACIS, ASYCUDA, Trade Facilitation, Trade Points, as well as its direct and broad range experience in training human resources in island and land-locked countries for example) has constantly underlined that, whatever the quality of technologies, the human factor is the essential ingredient for success.

69. A growing number of training courses must be made available to enterprises and service sectors, together with mechanisms to ensure that they can be followed by a wide cross-section of business personnel and their learning put into practice to expand trade and its profitability. UNCTAD will give close attention to ensuring that appropriate training is available to complement all its efforts in support of trade.

70. Priority areas for action-oriented training will be selected with careful attention to the potential to expand trade as much as to reduce the costs of trading. Target recipients will be traders and trade-supporting service providers. Efforts will be made to facilitate individual study by exploiting if possible the interactive capacity of CD-ROMs and the Internet.

71. Much of the training to be developed will relate directly to the systems being recommended or applied by UNCTAD. However, other training to be developed will increase awareness of the need for such systems, or explain independent technical or commercial developments that need to be exploited, or simply introduce knowledge and skills needed in order that performance in a sector may improve.

Priorities/Expected results

72. The subjects to be treated will be identified only as further work is conducted in each sector. Corresponding training materials may be developed directly by the secretariat, or by cooperating institutions or trade bodies that have the special skills required. Special attention will be given to the potential for materials to be developed within countries that most need the training, as is done within the TRAINMAR network that was initiated by UNCTAD in 1980 (see box). Further attention will be given to creating conditions that will enable the training to be disseminated under the direct control of recipient countries, for which both trade points and centres of the TRAINMAR network may have a special potential, and to enable countries to share their experience and to cooperate in delivering training, sharing practical experience and implementing its results.

73. It is planned that all HRD activities of the Division would be carried out under a TRAINFORTRADE heading, which should be common to all training activities in UNCTAD. Pending the obtention of the necessary extra-budgetary resources, the following sector-specific HRD activities are envisaged:

(a) Transport: Providing training in the ACIS project, including the training of senior managers of ports, railway and lake transport systems, in order to enable them to use information in management decisions. Training will also be provided to users of ACIS, namely freight forwarders and shippers, with the aim of improving services, overall logistics and their ability to access to information. Collaboration may also be in the development of new courses, port pricing and quality management training for ports and shipping companies;

(b) Cross-sectoral legal issues: seminars and workshops in relation to trade legal concepts and practices, such as INCOTERMS, bills of lading and other transport documents, sales contracts and payment arrangements. It is planned to produce an information package describing the main topics in international trade law and practices;

(c) Small and medium-sized enterprise trade competitiveness: the training of operational staff for Trade Points, as well as Trade Point managers and users;

(d) Trade facilitation: in the context of ASYCUDA, the formulation of training programmes in customs, in particular the establishment of customs training centres where they do not exist, and training for technical (computer) staff in the field, and functional courses in risk assessment, customs management techniques, etc.

74. In parallel with pioneering work across all sectors, special attention will be given to support for the TRAINMAR network and its expansion to meet more closely the needs of smaller and least structured partners in the organization of maritime trade. TRAINMAR centres already provide training

services for the maritime sectors in more than 50 countries. Possibilities for active cooperation among centres in neighboring countries are well established in most regions but are less well established in parts of Africa, where improvements will receive special attention. Efforts will also be focussed on greater autonomy for networking arrangements, with special attention to the possibilities for centres in richer countries to provide advice and leadership on the introduction and adaptation to new technologies and new commercial practices.

75. A suite of courses will be prepared to facilitate the implementation of systems designed by UNCTAD and more generally enabling trade to be improved. Local training capacity should have been established to enable courses to be followed and target results achieved. Depending on the availability of resources, at least eight courses should be prepared under UNCTAD's control in one year; local delivery centres should be opened progressively, opening the way to perhaps 2,000 persons receiving training in the first year and to continue growing at that rate annually, with consequent direct impact on trade volumes, profitability and development.

Box 8: The TRAINMAR Programme

The TRAINMAR Programme was created in 1980 to respond, in cost-effective and practical fashion, to the large demand in the developing countries for qualified managers in the fields of shipping, ports and multimodal transport.

The initial purpose is to strengthen local training centres which cater to the needs of managers and officials concerned with the maritime sector of developing countries and countries in transition. These TRAINMAR centres become able to reach professional standards in organizing training programmes adapted to local needs. Further, by using a common approach, they are able to cooperate among themselves to expand the quality and the range of training available to each of them. This is the long-term role of TRAINMAR.

TRAINMAR has developed a global network of centres for maritime management training in more than 50 countries. These centres apply a uniform methodology and share their outputs, resources and experience. Through this system more than 40 training packages are exchanged among the centres, enabling them to respond to new challenges quickly and effectively. This training, providing immediate knowledge as well as necessary career qualifications, provides the basis for much needed human resource development.

Regional networks have been established in all continents to facilitate continuous collaboration. Technical support is also provided by institutions in developed countries that are affiliated to the network.

Training can now be extended beyond the providers of transport services, to users of such services and the intermediary agents - providing competence in relation to the whole of maritime trade.

The role of UNCTAD is to help new centres, to promote contacts and expansion to cover all needs related to maritime trade, to exercise quality control and promote cooperation. In addition, UNCTAD helps TRAINMAR centres to promote the establishment of human resource development policies with regard to maritime transport, and to encourage enterprises to seek and support management training in the face of continuous change and the challenges of global trade.

(c) Legal issues

Issues

76. Any international trade transaction involves a number of distinct and interrelated contracts and participation of numerous parties from different countries. Contracts for sale, transport, insurance and financing are the main features of an international trade transaction. They also involve various ancillary services/procedures such as customs, intermediaries, etc. Each component of an international trade transaction is carried out within certain regulatory boundaries. The relevant rules and regulations range from mandatory legislation to voluntary rules and commercial practices and international trade usages. In general, commercial contracts are governed by the principle of freedom of contract, and national legislation/international conventions apply only if the parties to a contract fail to make specific stipulation. Certain aspects of international trade, such as transport, however, are subject to mandatory legislation.

77. While the existence of uniform and up-to-date regulatory framework facilitates international trade, its absence provides a serious obstacle to participation of developing countries. Many developing countries and countries in transition have at best an antiquated and incomplete set of legislation and in some cases there is a complete lack of such legislation. Technological and economic changes need to be supported by an appropriate regulatory framework, if the countries are to get the maximum benefit of such changes.

78. The basic knowledge of the international trade mechanisms and of the relevant rules, regulations, norms and standards is indispensable for efficient trading. For many developing countries and countries in transition, the lack of expertise of those involved in international trade presents a serious problem, as well as the frequent lack of transparency and access to the latest information and legal developments affecting international trade.

Actions/development impact

79. The legal work of the Division should focus on assisting developing countries and countries in transition in developing regulatory frameworks which would foster/facilitate international trade and trade-related related services. The use of EDI in international trade will be promoted, by providing legal advice and assistance to developing countries on the measures to overcome legal impediments to the implementation of EDI. Such work should be carried out in cooperation with the organizations (such as UNCITRAL, ECE, ICC, CMI) which have been working towards establishing legal mechanisms to facilitate the use of EDI.

80. As recommended by UNISTE, advisory services can be provided during the period of transition to electronic commerce, on the use of non-negotiable transport documents such as waybills in place of negotiable documents in appropriate cases in order to reduce costs and avoid unnecessary delay.

81. Legislative reforms introduced in various countries to support privatization and liberalization of trade-related services such as transport, ports, insurance, etc., will be kept under review and information concerning such reforms will be disseminated. Developing countries can be assisted, upon request, in the formulation of appropriate legislative reform.

82. To improve trading capabilities of importers/exporters, information will be provided as to the legal issues involved in various components of international trade transactions including contracts of sale, insurance, transport, finance and customs. This could be done through the preparation of educational packages, organization of training courses and workshops.

83. As recommended by UNISTE, advice and assistance will be provided to developing countries in formulating minimum standards for custom clearing agents, brokers and other intermediaries aimed at improving integrity and professionalism on the part of such intermediaries. In this respect, UNCTAD Minimum Standards for Shipping Agents can be of valuable assistance.

84. Finally, uniformity of laws applicable to different modes of transport will be promoted. Advisory services will be provided in the formulation of regulatory framework in the areas where there is a lack of appropriate legal regimes such as multimodal transport operations and terminal operators' activities.

85. All these activities will be conducted in close collaboration with appropriate NGOs and the private sector. By promoting certainty and uniformity in international trade law and procedures, they will enhance participation in international trade, particularly from smaller players. Establishing an appropriate legal framework for the use of EDI will reduce transaction costs, improve security, and allow a speedier delivery of goods. Dissemination of information on the latest legal development will provide transparency and contribute to uniformity of law. It will also enable some developing countries to benefit from the experience of those countries that

have been successful in achieving the relevant legislative reform. Better informed trading parties will make better decisions with regard to their contractual arrangements, thus avoiding delay, excess costs and disputes.

Priorities/Expected results

86. The above issues might be addressed in the following order of priority:

(a) Monitoring legal developments concerning the use of EDI in international trade and provision of advisory services to countries that wish to formulate statutory provisions to remove legal barriers to the use of EDI in international trade;

(b) Preparing an educational package on the legal issues involved in international trade transactions: contracts of sale, insurance, transport, finance, e.g;

(c) Dissemination of information concerning recent legislative reforms relating to liberalization and privatization of trade-related related services such as transport, ports, insurance, etc. through the existing Newsletters of the Division;

(d) Provision of technical assistance and advice, on request, concerning harmonization/modernization of trade and transport-related legislation at the national/subregional or regional level;

(e) Provision of advice and assistance, on request, in formulating standards for intermediaries such as shipping agents, brokers, customs agents, etc.;

(f) Preparation and delivery of seminars/lectures on request.

87. The above activities are expected to result in:

(a) creating a legal environment conducive to efficient conduct of international trade;

(b) improved trading conditions through the use of modern tools such as EDI;

(c) minimizing the risks involved in international trade through better trading practices.

III. PRACTICAL PROPOSALS/TRADE EFFICIENCY ASSESSMENT

88. In view of the issues, actions and priorities described above, it is proposed that the Commission should convene two Expert Meetings in the course of 1997, namely:

(a) Transit. This is an area of particular and immediate importance to many developing countries and economies in transition, in which the practical experience acquired by UNCTAD (through programmes like ACIS, ASYCUDA and its work on corridor agreements), as well as the availability of new technologies, represents a capital that could be brought to rapid fruition. In accordance with the elements mentioned in paragraph 63 above, it is proposed that the Commission convene this first expert meeting in early April 1997, to define the avenues and tools required to simplify implementation of transit agreements.

(b) Telecommunications. Because of the rapid evolution in electronic commerce and the possibilities offered to smaller players to access global information networks, telecommunications will be high on the agenda of the trading community during 1997. An expert group on this topic could follow-up on the work initiated for UNISTE in the area of telecommunications and help the international community better identify the opportunities and challenges offered from a trade efficiency point of view to SMEs and developing countries by the most recent developments in interactive technologies, including the Internet. As indicated in paragraph 54 above, the ideal time for such an expert meeting would be September 1997.

89. Based on the outcome of this work and that of the Commission itself, it will then be the Commission's responsibility to identify and pursue the policy opportunities raised by the trade efficiency assessment exercise called for by UNCTAD IX. It is therefore proposed that, in accordance with paragraph 94 of the Midrand final document, UNCTAD should pursue its preparatory work to encourage and support the conduct of assessments of the efficiency of trade-supportive services in developing countries. The goal of this exercise would be to develop and to apply indicators to measure the obstacles found, the efforts made and the results obtained by countries in the implementation of the UNISTE trade efficiency recommendations and of other actions aimed at enhancing the trade competitiveness of their enterprises.

90. A separate report will be issued in the course of 1997 to allow the Commission to consider possible actions and priorities in this area. The main characteristics of the trade efficiency assessment exercise are described in TD/B/COM.3/3/Add.1.